

AMENDED IN SENATE JANUARY 5, 2004

SENATE BILL

No. 764

Introduced by Senator Morrow

(Coauthor: Senator Poochigian)

*(Coauthors: Assembly Members Cox, Dutton, Harman, La Suer,
Mountjoy, Pacheco, and Plescia)*

February 21, 2003

An act to amend Section 205.5 of the Revenue and Taxation Code, relating to taxation, to take effect immediately, tax levy.

LEGISLATIVE COUNSEL'S DIGEST

SB 764, as amended, Morrow. Property tax: veterans' exemptions.

~~Existing property tax law provides, pursuant to the authorization of the~~

~~The California Constitution, for the~~ *authorizes an exemption from property taxation of the home principal residence of a disabled veteran, or a veteran's spouse, in the case in which the veteran has, become disabled as a result of a service-connected disease or injury, or has died while on active duty in military service.*

Existing property tax law specifies an exemption amount of \$100,000, but increases that amount to \$150,000, if the exemption claimant's income does not exceed \$40,000 as adjusted by a specified inflation factor.

~~This bill would increase the exemption amount to \$200,000 generally, and to \$250,000, if the exemption claimant's income does not exceed \$40,000 as adjusted, for assessment years beginning on and after January 1, 2005, increase these exemption amounts by a specified inflation factor. This bill would also impose a state-mandated local program by requiring local tax officials to annually adjust these~~

increased exemption amounts in accordance with a specified inflation factor.

Section 2229 of the Revenue and Taxation Code requires the Legislature to reimburse local agencies annually for certain property tax revenues lost as a result of any exemption or classification of property for purposes of ad valorem property taxation.

This bill would provide that, notwithstanding Section 2229 of the Revenue and Taxation Code, no appropriation is made and the state shall not reimburse local agencies for property tax revenues lost by them pursuant to the bill.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement, including the creation of a State Mandates Claims Fund to pay the costs of mandates that do not exceed \$1,000,000 statewide and other procedures for claims whose statewide costs exceed \$1,000,000.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

This bill would take effect immediately as a tax levy.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

The people of the State of California do enact as follows:

1 SECTION 1. Section 205.5 of the Revenue and Taxation
2 Code is amended to read:
3 205.5.—(a) Property that is owned by, and that constitutes the
4 principal place of residence of, a veteran is exempted from
5 taxation on that part of the full value of the residence that does not
6 exceed two hundred thousand dollars (\$200,000), as adjusted for
7 the relevant assessment year as provided in subdivision (h), if the
8 veteran is blind in both eyes, has lost the use of two or more limbs,
9 or if the veteran is totally disabled as a result of injury or disease
10 incurred in military service. The two hundred thousand dollar
11 (\$200,000) exemption shall be two hundred fifty thousand dollars
12 (\$250,000), as adjusted for the relevant assessment year as
13 provided in subdivision (h), in the case of an eligible veteran



~~whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in subdivision (g).~~

~~(b) For purposes of this section, “veteran” means either of the following:~~

~~(1) A veteran as specified in subdivision (o) of Section 3 of Article XIII of the Constitution without regard to any limitation contained therein on the value of property owned by the veteran or the veteran’s spouse.~~

~~(2) Any person who would qualify as a veteran pursuant to paragraph (1) except that he or she has, as a result of a service-connected injury or disease died while on active duty in military service. The United States Department of Veterans Affairs shall determine whether an injury or disease is service connected.~~

~~(c) (1) Property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a veteran is exempt from taxation on that part of the full value of the residence that does not exceed two hundred thousand dollars (\$200,000), as adjusted for the relevant assessment year as provided in subdivision (h), in the case of a veteran who was blind in both eyes, had lost the use of two or more limbs, or was totally disabled provided that either of the following conditions is met:~~

~~(A) The deceased veteran during his or her lifetime qualified in all respects for the exemption or would have qualified for the exemption under the laws effective on January 1, 1977, except that the veteran died prior to January 1, 1977.~~

~~(B) The veteran died from a disease that was service connected as determined by the United States Department of Veterans Affairs.~~

~~The two hundred thousand dollar (\$200,000) exemption shall be two hundred fifty thousand dollars (\$250,000), as adjusted for the relevant assessment year as provided in subdivision (h), in the case of an eligible unmarried surviving spouse whose household income does not exceed the amount of forty thousand dollars (\$40,000), as adjusted for the relevant assessment year as provided in subdivision (g).~~

~~(2) Commencing with the 1994–95 fiscal year, property that is owned by, and that constitutes the principal place of residence of, the unmarried surviving spouse of a veteran as described in paragraph (2) of subdivision (b) is exempt from taxation on that~~

1 ~~part of the full value of the residence that does not exceed two~~
2 ~~hundred thousand dollars (\$200,000), as adjusted for the relevant~~
3 ~~assessment year as provided in subdivision (h). The two hundred~~
4 ~~thousand dollar (\$200,000) exemption shall be two hundred fifty~~
5 ~~thousand dollars (\$250,000), as adjusted for the relevant~~
6 ~~assessment year as provided in subdivision (h), in the case of an~~
7 ~~eligible unmarried surviving spouse whose household income~~
8 ~~does not exceed the amount of forty thousand dollars (\$40,000),~~
9 ~~as adjusted for the relevant assessment year as provided in~~
10 ~~subdivision (g).~~

11 ~~(d) As used in this section, “property that is owned by a~~
12 ~~veteran” or “property that is owned by the veteran’s unmarried~~
13 ~~surviving spouse” includes all of the following:~~

14 ~~(1) Property owned by the veteran with the veteran’s spouse as~~
15 ~~a joint tenancy, tenancy in common, or as community property.~~

16 ~~(2) Property owned by the veteran or the veteran’s spouse as~~
17 ~~separate property.~~

18 ~~(3) Property owned with one or more other persons to the~~
19 ~~extent of the interest owned by the veteran, the veteran’s spouse,~~
20 ~~or both the veteran and the veteran’s spouse.~~

21 ~~(4) Property owned by the veteran’s unmarried surviving~~
22 ~~spouse with one or more other persons to the extent of the interest~~
23 ~~owned by the veteran’s unmarried surviving spouse.~~

24 ~~(5) So much of the property of a corporation as constitutes the~~
25 ~~principal place of residence of a veteran or a veteran’s unmarried~~
26 ~~surviving spouse when the veteran, or the veteran’s spouse, or the~~
27 ~~veteran’s unmarried surviving spouse is a shareholder of the~~
28 ~~corporation and the rights of shareholding entitle one to the~~
29 ~~possession of property, legal title to which is owned by the~~
30 ~~corporation. The exemption provided by this paragraph shall be~~
31 ~~shown on the local roll and shall reduce the full value of the~~
32 ~~corporate property. Notwithstanding any provision of law or~~
33 ~~articles of incorporation or bylaws of a corporation described in~~
34 ~~this paragraph, any reduction of property taxes paid by the~~
35 ~~corporation shall reflect an equal reduction in any charges by the~~
36 ~~corporation to the person who, by reason of qualifying for the~~
37 ~~exemption, made possible the reduction for the corporation.~~

38 ~~(e) For purposes of this section, being blind in both eyes means~~
39 ~~having a visual acuity of 5/200 or less, or concentric contraction~~
40 ~~of the visual field to 5 degrees or less; losing the use of a limb~~

~~means that the limb has been amputated or its use has been lost by reason of ankylosis, progressive muscular dystrophies, or paralysis; and being totally disabled means that the United States Department of Veterans Affairs or the military service from which the veteran was discharged has rated the disability at 100 percent or has rated the disability compensation at 100 percent by reason of being unable to secure or follow a substantially gainful occupation.~~

~~(f) An exemption granted to a claimant in accordance with the provisions of this section shall be in lieu of the veteran's exemption provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article XIII of the Constitution and any other real property tax exemption to which the claimant may be entitled. No other real property tax exemption may be granted to any other person with respect to the same residence for which an exemption has been granted under the provisions of this section; provided, that if two or more veterans qualified pursuant to this section coown a property in which they reside, each is entitled to the exemption to the extent of his or her interest.~~

~~(g) Commencing on January 1, 2002, and for each assessment year thereafter, the household income limit shall be compounded annually by an inflation factor that is the annual percentage change, measured from February to February of the two previous assessment years, rounded to the nearest one-thousandth of 1 percent, in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.~~

~~(h) Commencing on January 1, 2004, and for each assessment year thereafter, the exemption amounts set forth in subdivision (a) shall be compounded annually by an inflation factor that is the annual percentage change, measured from February to February of the two previous assessment years, rounded to the nearest one-thousandth of 1 percent, in the California Consumer Price Index for all items, as determined by the California Department of Industrial Relations.~~

Code is amended to read:

205.5. (a) Property that constitutes the principal place of residence of a veteran, that is owned by the veteran, the veteran's spouse, or the veteran and the veteran's spouse jointly, is exempted from taxation on that part of the full value of the residence that does not exceed one hundred thousand dollars (\$100,000), *as adjusted*

1 *for the relevant assessment year as provided in subdivision (h), if*
2 the veteran is blind in both eyes, has lost the use of two or more
3 limbs, or if the veteran is totally disabled as a result of injury or
4 disease incurred in military service. The
5 ~~one hundred thousand dollar~~ *one hundred thousand dollar*
6 (\$100,000) exemption shall be one hundred fifty thousand dollars
7 (\$150,000), *as adjusted for the relevant assessment year as*
8 *provided in subdivision (h),* in the case of an eligible veteran whose
9 household income does not exceed the amount of forty thousand
10 dollars (\$40,000), as adjusted for the relevant assessment year as
11 provided in subdivision (g).

12 (b) (1) For purposes of this section, “veteran” means either of
13 the following:

14 (A) A veteran as specified in subdivision (o) of Section 3 of
15 Article XIII of the California Constitution without regard to any
16 limitation contained therein on the value of property owned by the
17 veteran or the veteran’s spouse.

18 (B) Any person who would qualify as a veteran pursuant to
19 paragraph (1) except that he or she has, as a result of a
20 service-connected injury or disease died while on active duty in
21 military service. The United States Department of Veterans Affairs
22 shall determine whether an injury or disease is service connected.

23 (2) For purposes of this section, property is deemed to be the
24 principal place of residence of a veteran, disabled as described in
25 subdivision (a), who is confined to a hospital or other care facility,
26 if that property would be that veteran’s principal place of residence
27 were it not for his or her confinement to a hospital or other care
28 facility, provided that the residence is not rented or leased to a third
29 party. A family member that resides at the residence is not
30 considered to be a third party.

31 (c) (1) Property that is owned by, and that constitutes the
32 principal place of residence of, the unmarried surviving spouse of
33 a deceased veteran is exempt from taxation on that part of the full
34 value of the residence that does not exceed one hundred thousand
35 dollars (\$100,000), *as adjusted for the relevant assessment year as*
36 *provided in subdivision (h),* in the case of a veteran who was blind
37 in both eyes, had lost the use of two or more limbs, or was totally
38 disabled provided that either of the following conditions is met:

39 (A) The deceased veteran during his or her lifetime qualified in
40 all respects for the exemption or would have qualified for the

1 exemption under the laws effective on January 1, 1977, except that
2 the veteran died prior to January 1, 1977.

3 (B) The veteran died from a disease that was service connected
4 as determined by the United States Department of Veterans
5 Affairs.

6 ~~The one hundred thousand dollar~~ *one hundred thousand dollar*
7 (\$100,000) exemption shall be one hundred fifty thousand dollars
8 (\$150,000), *as adjusted for the relevant assessment year as*
9 *provided in subdivision (h)*, in the case of an eligible unmarried
10 surviving spouse whose household income does not exceed the
11 amount of forty thousand dollars (\$40,000), as adjusted for the
12 relevant assessment year as provided in subdivision (g).

13 (2) Commencing with the 1994–95 fiscal year, property that is
14 owned by, and that constitutes the principal place of residence of,
15 the unmarried surviving spouse of a veteran as described in
16 paragraph (2) of subdivision (b) is exempt from taxation on that
17 part of the full value of the residence that does not exceed one
18 hundred thousand dollars (\$100,000) *as adjusted for the relevant*
19 *assessment year as provided in subdivision (h)*. The
20 ~~one hundred thousand dollar~~ *one hundred thousand dollar*
21 (\$100,000) exemption shall be one hundred fifty thousand dollars
22 (\$150,000), *as adjusted for the relevant assessment year as*
23 *provided in subdivision (h)*, in the case of an eligible unmarried
24 surviving spouse whose household income does not exceed the
25 amount of forty thousand dollars (\$40,000), as adjusted for the
26 relevant assessment year as provided in subdivision (g).

27 (d) As used in this section, “property that is owned by a
28 veteran” or “property that is owned by the veteran’s unmarried
29 surviving spouse” includes all of the following:

30 (1) Property owned by the veteran with the veteran’s spouse as
31 a joint tenancy, tenancy in common, or as community property.

32 (2) Property owned by the veteran or the veteran’s spouse as
33 separate property.

34 (3) Property owned with one or more other persons to the
35 extent of the interest owned by the veteran, the veteran’s spouse,
36 or both the veteran and the veteran’s spouse.

37 (4) Property owned by the veteran’s unmarried surviving
38 spouse with one or more other persons to the extent of the interest
39 owned by the veteran’s unmarried surviving spouse.

(5) So much of the property of a corporation as constitutes the principal place of residence of a veteran or a veteran's unmarried surviving spouse when the veteran, or the veteran's spouse, or the veteran's unmarried surviving spouse is a shareholder of the corporation and the rights of shareholding entitle one to the possession of property, legal title to which is owned by the corporation. The exemption provided by this paragraph shall be shown on the local roll and shall reduce the full value of the corporate property. Notwithstanding any provision of law or articles of incorporation or bylaws of a corporation described in this paragraph, any reduction of property taxes paid by the corporation shall reflect an equal reduction in any charges by the corporation to the person who, by reason of qualifying for the exemption, made possible the reduction for the corporation.

(e) For purposes of this section, being blind in both eyes means having a visual acuity of 5/200 or less, or concentric contraction of the visual field to 5 degrees or less; losing the use of a limb means that the limb has been amputated or its use has been lost by reason of ankylosis, progressive muscular dystrophies, or paralysis; and being totally disabled means that the United States Department of Veterans Affairs or the military service from which the veteran was discharged has rated the disability at 100 percent or has rated the disability compensation at 100 percent by reason of being unable to secure or follow a substantially gainful occupation.

(f) An exemption granted to a claimant in accordance with the provisions of this section shall be in lieu of the veteran's exemption provided by subdivisions (o), (p), (q), and (r) of Section 3 of Article XIII of the California Constitution and any other real property tax exemption to which the claimant may be entitled. No other real property tax exemption may be granted to any other person with respect to the same residence for which an exemption has been granted under the provisions of this section; provided, that if two or more veterans qualified pursuant to this section coown a property in which they reside, each is entitled to the exemption to the extent of his or her interest.

(g) Commencing on January 1, 2002, and for each assessment year thereafter, the household income limit shall be compounded annually by an inflation factor that is the annual percentage change, measured from February to February of the two previous

1 assessment years, rounded to the nearest one-thousandth of 1
2 percent, in the California Consumer Price Index for all items, as
3 determined by the California Department of Industrial Relations.

4 *(h) Commencing on January 1, 2005, and for each assessment*
5 *year thereafter, the exemption amounts set forth in subdivisions (a)*
6 *and (c) shall be compounded annually by an inflation factor that*
7 *is the annual percentage change, measured from February to*
8 *February of the two previous assessment years, rounded to the*
9 *nearest one-thousandth of 1 percent, in the California Consumer*
10 *Price Index for all items, as determined by the California*
11 *Department of Industrial Relations.*

12 SEC. 2. Notwithstanding Section 2229 of the Revenue and
13 Taxation Code, no appropriation is made by this act and the state
14 may not reimburse any local agency for any property tax revenues
15 lost by it pursuant to this act.

16 SEC. 3. Notwithstanding Section 17610 of the Government
17 Code, if the Commission on State Mandates determines that this
18 act contains costs mandated by the state, reimbursement to local
19 agencies and school districts for those costs shall be made pursuant
20 to Part 7 (commencing with Section 17500) of Division 4 of Title
21 2 of the Government Code. If the statewide cost of the claim for
22 reimbursement does not exceed one million dollars (\$1,000,000),
23 reimbursement shall be made from the State Mandates Claims
24 Fund.

25 SEC. 4. This act provides for a tax levy within the meaning of
26 Article IV of the Constitution and shall go into immediate effect.

